



FOR IMMEDIATE RELEASE
May 10, 2006

John O'Brien
(202) 225-2132

Istook Votes to Keep Our Economy Growing

Washington, D.C. – Rep. Ernest Istook (R- Warr Acres) today voted for H.R. 4297, the Tax Relief Extension Reconciliation Act of 2005. The act will promote investment in America and extend the unprecedented economic growth started by President Bush's 2003 tax cuts.

"I voted today for tax relief which will expand our economy, providing more jobs and more security for all Americans," said Istook. **"Additionally, millions of Americans can breathe easier tonight, knowing that we have removed the threat of higher taxes from over their heads in the form of the Alternative Minimum Tax."**

The Alternative Minimum Tax (AMT) has been hitting more and more taxpayers with higher tax bills every year. With this act, the cutoff for how much money a couple can make before being subject to the AMT has been raised, making sure that more middle-class Americans will see this heavy burden lifted from their family budgets. Also, tax credits have been expanded for such important expenses as caring for elderly relatives, certain home mortgages, and some college expenses.

Additionally, investment and growth in America's vital small business community will increase as small businesses will be allowed to expense more of the asset investment necessary to expand and grow. This will, in turn, keep the economy thriving and help create more jobs for Americans.

Other benefits which will be realized under this act include:

- Veterans will have better access to programs that help them finance mortgages;
- Taxpayers saving for retirement will have an enhanced ability to convert regular IRAs to Roth IRAs for increased security in their retirement;
- School teachers will be able to deduct more of the expenses they incur doing their job;
- More charitable contributions will be exempted from federal taxes;
- Our environment will gain because this bill encourages needed remediation and offers tax credits for qualified electric vehicles.

Two-Year Extension of Reduced Rates on Capital Gains and Dividends

Under current law, capital gains and dividend income are taxed at a maximum rate of 15-percent rate through 2008. For taxpayers in the 10- and 15-percent tax brackets, the tax rate is 5 percent through 2007 and zero in 2008. The Conference Report extends the rates effective in 2008 through 2010. Without action, these rates would have increased after 2008.

Alternative Minimum Tax Relief

1. Increase in AMT Exemption Levels

The provision extends the Alternative Minimum Tax (AMT) exemption levels though the end of 2006 at a higher level than in 2005. The new exemption levels for 2006 are \$62,550 for joint filers and \$42,500 for single filers.

2. AMT Relief for Non-Refundable Personal Tax Credits

The tax code includes many non-refundable personal tax credits, such as the dependent care credit, the credit for the elderly and disabled, the credit for interest on certain home mortgages, the Hope credit for certain college expenses and the Lifetime Learning credit, among others. Claiming these credits may push an individual into the AMT. The provision extends current law which allows most non-refundable personal tax credits to be claimed against the AMT so that families continue to receive the full benefit of these tax credits.

1. Two-Year Extension of Enhanced Section 179 Expensing for Small Business

Under current law, small businesses may expense (i.e., deduct in the first year) up to \$100,000 of investments in depreciable assets. The deduction phases out dollar-for-dollar to the extent the business's annual investments exceed \$400,000. Without action, the expensing limit would have declined to \$25,000 and the phase-out threshold would have declined to \$200,000 after 2007.

3. Enhancing Veterans' Access to Affordable Mortgages

Certain States have qualified veterans' mortgage bond programs that allow these States to finance affordable mortgages for veterans. Under current law, veterans are eligible for these mortgages only if they served prior to 1977 and apply for these mortgages within a 30-year eligibility period after they leave active service. The provision expands eligibility for the program in a number of these States by repealing the requirement that veterans must have served before 1977 and reducing the eligibility period from 30 years to 25 years.

10. Conversion to Roth IRAs

The provision allows more taxpayers to convert to Roth IRAs by removing the modified adjusted gross income limitations on rollovers from an IRA to a Roth IRA. Under the provision, taxpayers can elect to pay tax on amounts converted in 2010 in equal installments in 2011 and 2012.

Will extend or expand:

- the tax credit for retirement savings contributions;
- the tax deduction for higher education expenses;
- the election to deduct state and local general sales taxes in lieu of state and local income taxes;
- the allowance of nonrefundable personal tax credits against the alternative minimum tax;
- the tax deduction for certain expenses of elementary and secondary school teachers;
- the expensing allowance for environmental remediation expenditures;
- certain tax incentives for investment in the District of Columbia;
- the Indian employment tax credit and accelerated depreciation allowances for business property on Indian reservations;

- accelerated depreciation allowances for qualified leasehold and restaurant improvements;